

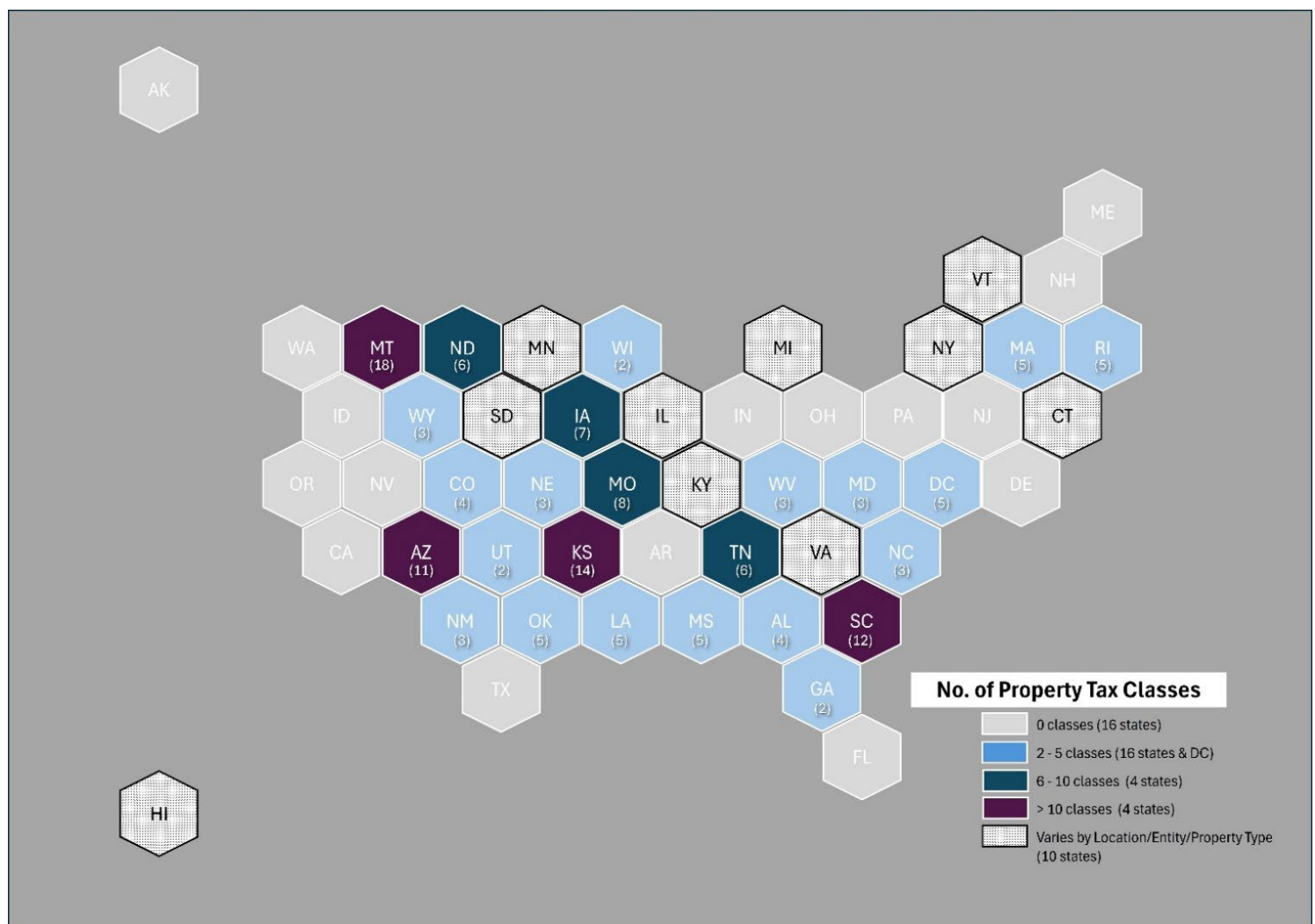
Property Classification Differs Greatly by State

REVENUE INTERIM COMMITTEE
MEGAN MOORE – NOVEMBER 2025

34 STATES CLASSIFY, MOST HAVE FEWER THAN 8 CLASSES

Montana is one of 34 states that uses a classification system to vary the tax treatment of different types of property. The other 16 states generally tax all property in the same manner.¹

Among the states that classify property, 16 states have fewer than 5 classes, 4 states have 6 to 8 classes, and 4 states have more than 11 classes. The other 10 states have a different number of classes based on location, the levying entity, or the type of property.



¹ Based on 2023 data. Significant Features of the Property Tax. <https://www.lincolnst.edu/data/significant-features-property-tax/access-database/property-tax-classification/> Lincoln Institute of Land Policy and George Washington Institute of Public Policy. (Property Tax Classification; accessed: 10/07/2025 04:34:06 PM).

Montana has the most classes, 18, among states that do not vary the number of classes.²

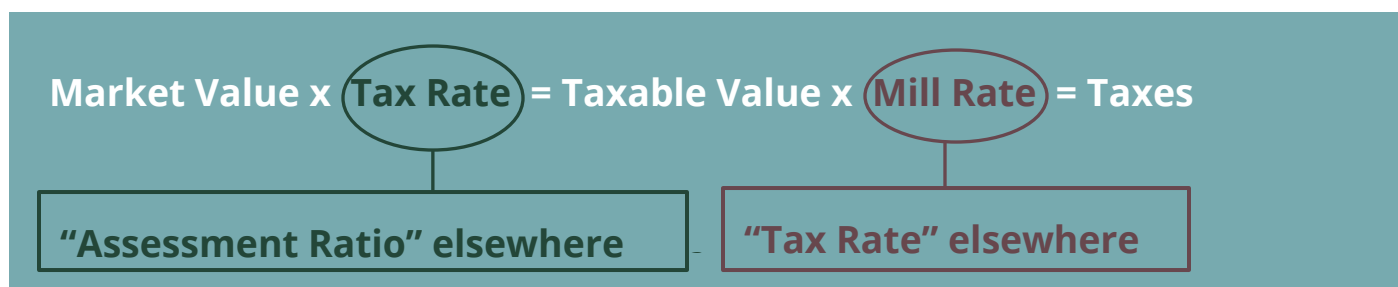
The following table provides additional details on states with a varying number of classes. The states are divided by the methods of variation.

DETAILS FOR STATES WITH VARYING NUMBER OF PROPERTY CLASSES

State	Additional Details
Classes vary by levying entity	
Kentucky	State: over 20 classes; Local governments may tax 10 of the classes
Michigan	State education levy: no classification; Local school taxes: 2 classes
Minnesota	State levy: 7 classes; Local governments: 35 classes
South Dakota	Non-education levies: no classification; School district levies: 3 classes
Vermont	State education tax: 2 classes; Non-education levies: no classification
Classes vary by location	
Connecticut	Hartford: 3 classes; Remainder of state: no classification
Hawaii	Honolulu and Hawaii counties: 9 classes; Maui and Kauai counties: 10 classes
Illinois	Cook County: 15 classes; Remainder of state: no classification
Classes vary by location and levying entity	
New York	New York City: 4 classes; Nassau County: 4 classes for city levies, 2 classes for school district levies; Remainder of state: No classification unless opt to use different rates for homestead and non-homestead properties
Classes vary by property type	
Virginia	Tangible personal property: 5 classes; Other property: no classification

CLASSIFICATION ALLOWS DIFFERENT TAX TREATMENT

States use classification to differ the tax treatment for different property types, generally by varying the assessment ratio, the tax rate, or both.



² Montana has 16 numbered classes of property, but the methodology counts two subclasses each in class three (qualified agricultural and nonqualified agricultural) and class four (residential and commercial) for a total of 18 classes. Using this methodology, Montana has 19 classes in 2025 and will have 21 in 2026.

PROPERTY CLASSIFICATION DIFFERS GREATLY BY STATE

In Montana, a property's classification is used to determine the number used to convert market value into taxable value, or the "tax rate". Taxing jurisdictions then apply the "mill rate" (mill levies divided by 1,000) to the taxable value to determine taxes due.

Nineteen other states use classification to set different assessment ratios like Montana, while 11 states and the District of Columbia vary the tax rate applied to taxable value. Three states use different assessment ratios and tax rates.

HOW STATES USE CLASSIFICATION TO VARY TAX TREATMENT

Assessment ratios: 20 states

•Alabama*, Arizona, Colorado, Connecticut*, Georgia, Illinois*, Iowa, Kansas, Louisiana, Mississippi, Montana, Nebraska, North Carolina, North Dakota, Oklahoma*, South Carolina*, Tennessee, Utah, Wisconsin, Wyoming

Tax Rates: 11 states & DC

•District of Columbia, Hawaii*, Kentucky*, Maryland*, Massachusetts*, Michigan, New Mexico, Rhode Island*, South Dakota, Vermont, Virginia*, West Virginia

Both: 3 states

•Minnesota, Missouri*, New York*

*State allows local option related to classification.

Some states authorize local governments to use classification to vary tax treatment instead of or in addition to the state. This includes 9 states in addition to the 4 states listed earlier as varying tax treatment by location. For example:

- Massachusetts allows local governments to set different tax rates for its five classes.
- Missouri uses assessment ratios at the state level and local governments can levy a different tax rate for property subclasses.
- Oklahoma allows local governments to set the assessment ratio for each class within ranges established by the state.

MOST CLASSIFICATION STATES SPREAD PROPERTY EVENLY

Among states that classify, Montana is one of 23 states and the District of Columbia that spread property evenly into multiple classes. States are considered to spread property evenly into classes if they have classes for at least

two common types of property. This often takes the form of separating residential and agricultural property from utility or industrial property, often with a catch-all class for commercial property not included in another class.

The other 10 states use fewer classes or use the classes for specialized property types. For example, Utah has two classes of property: residential property and all other property. North Carolina and Kentucky place most property in a catch-all class and use other classes for property such as historic property or various categories of personal property.

MONTANA USES COMMON PROPERTY CLASS TYPES: AGRICULTURAL, RESIDENTIAL

Most of the 23 states that spread property evenly, including Montana, have classes for agricultural, residential, personal, and utility property.

Less common are classes for forest or timber land, mining, vacant land, and motor vehicles. Montana has classes for forest land and mining. Some vacant

land is included with class three agricultural property. Motor vehicles are exempt from the Montana property tax.

Property Class	Number of States ³
Agricultural	19
Residential (Owner-occupied residential)	17 (11)
Personal Property	15
Utility	13
Forest/Timber	6
Mining	5
Vacant land	5
Motor vehicles	5

COMMITTEE SHOULD IDENTIFY ADDITIONAL ANALYSIS

In selecting the study of property classification, the Revenue Interim Committee expressed interest in modeling alternatives to Montana's classification system. Following are possible next steps:

1. Request more research.
 - a. Specify desired characteristics of a classification system and request that staff provide details for states that fit.
2. Model impacts of a different classification system.
 - a. Specify class structure and tax rates for desired modeling.
 - b. Model using another state's system.
 - c. Set goals for an alternative classification system such as the number of classes or the amount of variation in tax rates.

³ Number of states with a class that includes the designated property type. Some states may combine listed property types into one class.